



**UNITED NATIONS DEVELOPMENT GROUP
IRAQ TRUST FUND**

Project Cover Page

Participating UN Organisation(s):

FAO

Sector Outcome Team(s):

Agriculture and Food Security

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Project Title:

Iraq Agricultural Growth and Employment Support (I-AGES) Project

Project Number:

A5-32

Project Description:

The proposed Iraq Agricultural Growth and Employment Generation Support (I-AGES) project has been designed as a two phased nationally led priority investment project, aimed at undertaking urgent analytical and diagnostic work in Phase I, in order to then develop the first National Agricultural Policy and National Agricultural Investment Strategy in Phase 2, supported by the implementation of National Priority Programmes implemented through the national budget – as the primary tool of policy. The project will benefit from and be fully coordinated with the ongoing joint UN/Government of Iraq's Iraq Public Sector Modernization (I-PSM) Program and Private Sector Development (PSD) Program.

I-AGES addresses two primary national investment priorities: (i) the need for an evidence-based national agricultural policy and investment strategy to promote rapid economic diversification, and (ii) sustained employment generation in the agriculture sector. Therefore, the I-AGES project will not only contribute towards the 2007-2010 NDS and the Five Year National Development Plan, but also support the attainment of various GoI international commitments, such as the Millennium Development Goals. Whilst designed as a national policy and strategy support project, aimed at shaping the way GoI/Ministry of Agriculture (MoA) does business, over the medium term this project will lead to significant changes to the structure of growth and employment in the agriculture sector, in on farm, off-farm and non-farm rural sectors. The project will be led by the National Agricultural Policy – Inter-Ministerial Task Force (NAP-ITF), supported by the National Agricultural Policy Working Group (NAP-WG) and through the Policy and Strategy Support Unit (PSSU) to be established within the MoA. Finally, once a new policy framework and budgeted investment strategy are developed, National Priority Programmes (NPPs) will be formulated to promote national agricultural growth, rural economic diversification, employment generation, national rural finance, and national community irrigation programmes.

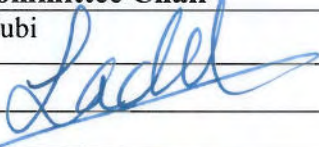
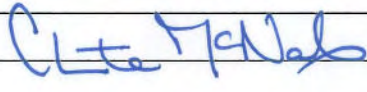
Project Costs:		Project Location:
UNDG ITF:	US\$5,000,000	Governorate(s): Nationwide
Govt. Contribution:		District(s):
Agency Core:		Town(s):
Other:		
TOTAL:	US\$5,000,000	

Govt of Iraq Line Ministry Responsible:
 Ministry of Agriculture and Ministry of Planning and Development Cooperation

Project Duration:
 Total # of months: 36 Months
 Expected Start date: 01 July 2010
 Expected End date: 30 June 2013

Review & Approval Dates	
Line Ministry Endorsement Date:	01 March 2010
Concept Note Approval Date:	23 March 2010
SOT Approval Date:	23 March 2010
Peer Group Review Date:	4 May 2010
ISRB Approval Date:	22 June 2010
Steering Committee Approval Date:	27 June 2010

Signatures of Agencies and Steering Committee Chair

I.	Name of Representative	Fadel El Zubi
	Signature	
	Name of Agency	FAO
	Date	27.06.2010
II.	Name of Steering Committee Chair	Christine McNab
	Signature	
	Date	27 June 2010

National priority or goals (NDS 2007- 2010 and ICI):

Goal 1: Mitigate Poverty and Hunger

ICI Benchmarks (as per the Joint Monitoring Matrix 2008):

Goal 4.6: To support the development of the agriculture sector to achieve food security, generate employment, diversify the economy and preserve the countryside. Create an enabling environment for a market oriented agricultural sector.

Benchmarks: 4.6.4 Improve institutional and regulatory underpinnings of public agriculture

Sector Team Outcome(s): Enhanced production and productivity in the agricultural sector.

Program/Project Outcome(s): Enhanced production and productivity in the agricultural sector.

**Detailed Breakdown of Budget by Source of Funds and
Distribution of Project Budget by Participating UN Organisation**

Participating UN Organisation	Portion from ITF Budget (US \$)
FAO	US\$5,000,000
Total ITF Budget (US \$)	US\$5,000,000

Total budget (in US \$):	\$5,000,000
Sources:	
• Government	\$0
• ITF (Funds in the AFFSOT sector)	\$5,000,000
<u>UN Core/non-core sources</u>	
• UN Org (specify :)	\$0

1. Executive Summary

The proposed Iraq Agricultural Growth and Employment Generation Support (I-AGES) project has been designed as a nationally led priority investment project, aimed at undertaking urgent analytical and diagnostic work in Phase I, to then develop for the first time a National Agricultural Policy and budgeted National Agricultural Investment Strategy in Phase 2. The project will be fully coordinated with the Government of Iraq-UN joint Iraq Public Sector Modernization (I-PSM) Program and Private Sector Development (PSD) program.

The project addresses two primary Government of Iraq (GoI) national investment priorities: (i) the need for rapid economic diversification and (ii) sustained non-public sector employment generation. Economic diversification is essential to generate non-oil growth, as a means to a sustainable fiscal future. New employment generation opportunities are required outside of government to provide options for the progressive downsizing of public sector staffing – now at around 3 million – and to release the potential of the private sector. The project, therefore, focuses on evidence-based policy development, to remove the binding constraints to growth and employment generation, through the creation of a better enabling environment.

The relevance and timeliness of the I-AGES project is clear. I-AGES builds on, and is shaped by, the recent work undertaken by the Prime Minister's Advisory Commission (PMAC) in relation to agricultural policy development, where concern has been expressed about the negative policy framework adopted by the MoA and its potential disastrous impact on the agricultural and water resource management systems. The I-AGES project takes up this challenge.

Policy Based Analytical and Diagnostic Work: In Phase I, essential analytical and diagnostic work will be undertaken, building on existing work in part, but rather creating a comprehensive understanding of the drivers and constraints to growth and employment, within and across the sector as a whole. Work will include (i) growth diagnostic work (ii) an investment climate review of the agricultural system and related sub-sectors (i.e. trade, finance etc.) (iii) an agricultural labor market survey (building in the formative work of COSIT) (iv) value chain studies as required to complete the work of USAID funded INMA and (v) trade volume studies, to assess the real composition and value of agricultural imports and exports cross key trade corridors. This work will be conducted through the soon to be established Policy and Strategy Support Unit (PSSU).

National Policy and Investment Strategy Formulation: In Phase II, the research findings will be compiled and consolidated, and for the first time an evidence based driven National Agricultural Policy will be developed to address many of the inherent shortcomings, as identified by the PMAC. Subsequently, based on the selection of policy priorities, a three-year National Agricultural Investment Strategy will be formulated and budgeted to meet the most urgent challenges faced by the sector, to include targeted national priority programmes.

Management, Coordination and Implementation, in line with the Paris Declaration, be fully harmonized and aligned to support national agricultural and employment priorities. I-AGES will be managed directly by the Minister's Office within the MoA, supported by an Inter-Ministerial Task Force (with other core Ministries including Water Resources, Trade, Industry, Labour and Social Affairs, Planning and Development Cooperation, and Finance), a National Agriculture Policy Working Group (NAP-WG) and a Policy and Strategy Support Unit (PSSU) to be established by FAO, and to be coordinated. Implementing partners will include the private sector, Iraq Institute for Economic Reform (IIER) for workshops and seminars, and Harvard University for the growth diagnostic study. The project will support the 2007-2010 National Development Strategy (NDS) and National Development Strategy, and the attainment of various international commitments in relation to the Millennium Development Goals. Whilst designed as a national policy and strategy support project, aimed at shaping the way GoI/MoA does business, over the medium term this project will contribute and support to significant changes in the structure of national growth and employment within the agriculture sector.

2. Situational Analysis

This project has been formulated on the back of substantial work – albeit rather formative in nature – undertaken by the GoI, PMAC and FAO along with other actors such as USAID. It includes analysis based on a review of more than 20 projects currently being implemented by FAO, UNIDO, ILO and UNDP, including the Iraq Public Sector Modernisation (I-PSM) Programme and the Private Sector Development (PSD) Programme. In particular, it draws on the excellent work conducted by the PMAC in relation to agricultural policy development and water resource management, the Agricultural Strategy work of FAO, the work of Atta, D entitled ‘Towards a strategy for sustainable agriculture in Iraq’ (November 6, 2009), and Dhia Al Bakri in relation to water resource management. This work provides for a comprehensive situational analysis and the identification of targeted measures required in removing structural constraints to growth and employment.

Sector Background

Since the Iran-Iraq war in the 1980s, the Gulf Wars of 1990 and 2003, including the onset of international sanctions starting in 1991, Iraq’s agricultural system has gone through profound changes. The Public Distribution System (PDS), developed during the sanction years to deliver a food-based safety net, saw the state delivery and heavy subsidization of basic food commodities to households and local markets. Whilst the PDS enabled the government to partially avoid a humanitarian crisis, at the same time it removed the vital market stimulus required for a price incentive to lead to increased domestic agriculture production. As a hangover from this period, including the highly centralized (unitary) government economic policy, planning and budgetary processes, Iraq effectively remains a centrally controlled command economy. Yet, as the demand for agricultural products increases year on year as a result of the population explosion, the need to adopt a market-based approach to growth and employment has never been more vital. The current policy framework under-serves these concerns and, in many cases, is poor conceptualization of the actual challenges facing Iraq.

Outside of declining yields and water source constraints and population growth, other leading constraints to growth include: large-scale infrastructural damage; under-investment in agricultural systems, state-driven subsidies and central procurement and state-controlled input and output markets; trade tariffs that favor regional and international markets alongside porous and uncontrolled border trade, insecurity and a weak policy and governance environment which has undermined the targeting of prioritized national investment. Yet, with agriculture accounting for approximately 25 per cent of all employment in Iraq and up to 8 per cent of GDP, the sector is the leading provider of non-public sector employment in the country. This underlines the tremendous potential of the sector once the binding constraints to economic growth are removed through targeted public investment, assuming that a new policy framework can be developed to address the actual constraints affecting quality growth and employment. Moreover, as the government seeks to downsize its administration to free up fiscal space to support increased capital-investment, the agricultural sector will remain a priority for public investment, driving non-state employment generation in the process. Agriculture also is one of the leading national priority programmes outlined by the Prime Minister in 2009.

The National Development Strategy (NDS) made a provisional allocation of US\$4.1 billion for agricultural development over the period 2007-2010. Unfortunately, due to substantial under-spending within the sector and the exorbitant costs of public sector staffing, investment within the agricultural sector has had little impact on growth and employment. As a result, to reap both growth and employment dividends over the medium term from the agriculture sector, budgeted national agriculture policy and investment strategy frameworks have to be developed based on a firm foundation of analysis and diagnostic work. A program that addresses these policy and institutional constraints is urgently required and the I-AGES have been formulated in this regard, and it fulfills the priority needs for the sector as identified by the PMAC.

Policy and Institutional Constraints to Growth and Employment

The work of PMAC raises real concerns that the current (implicit) national policy and strategy for agriculture are based on old ways of governing the sector, and as a result there is a substantial gap between what is delivered and what is actually required, from a policy and national investment perspective. Whilst there is an increasing dependence on import the GoI would prefer to focus on reducing trade imbalances, through increasing domestic production to offset imports, even though the structural conditions (land and water) are against such a policy. The current agricultural and employment strategy *‘is based on attitudes and concepts inherited from the old regime and manifold, but fragmented, agricultural development activities supported by the government, the international donor community, and the military continue’* (PMAC, 2010). Whilst there is

general agreement that production yields need to increase, and GoI defends its policy of national food self-sufficiency, in many cases the current policy (implicit) and investment strategy heavily distorts markets and undermines vital private sector investment in the sector. Existing policy measures include (i) investment in infrastructure (ii) production subsidies (iii) expansion of area under cultivation (iv) restoration and improvement in livestock (v) managerial and technical skill enhancement and (v) limits on imports and import substitution.

Food insecurity is an income (entitlement) and not a food availability decline problem per se there is an automatic disposition for the public sector to seek to overcome all growth and employment related constraints directly, rather than enabling the private sector to emerge as a sustainable market solution. The absence of an evidence-based policy and targeted investment strategy will have long-term implications for the composition of growth and structure of employment/unemployment. Given the political and socio-economic risks of high levels of unemployment in particular, within a high population growth and weak private sector scenario are potentially destabilizing.

Constraints to agricultural growth and employment are most often cited as (i) water shortage, although a long time series data on total water flow into Iraq from the Tigris, Euphrates are not available (ii) population growth and demographic change (iii) land shortage (iv) financial market and public capital constraints (v) environmental limitations and (vii) over dependence on oil and lack of economic policy to support diversification. In this regard, recent research by PMAC indicates the importance of GoI in formulating a new agricultural policy framework and investment program based on the following strategic observations:

- Policy formulation, planning and budgeting capacities need substantial strengthening;
- Water supplies are and will remain limited, calling for conservation measures and new practices;
- Areas under production will continue to reduce, calling for higher value crops;
- Import dependence for many products is a new market reality;
- Animal husbandry will need to become a declining function of growth;
- Incentives for production and income diversification are vital to long-term success;
- Urgent need to create jobs for displaced farmers and for right-sizing the public sector;
- Agricultural finance and investment systems and markets need urgent reform.

Yet, to meet the needs of such a policy re-orientation, there is a paucity of relevant and up-to-date national data. Any investment program will, therefore, need to overcome this fundamental constraint directly, as acknowledged by the PMAC, in order to set Iraq on a course for a progressively market-based agrarian reforms system to address growth and employment futures. Gaps, to be overcome through I-AGES, include:

- Growth: No growth diagnostic work has been undertaken to determine the drivers of growth within the agricultural system;
- Investment: No investment climate review has been undertaken to determine the binding constraints to growth within the sector and related sub-sectors, even though the World Bank, supported by DFID, have been rumored to undertake this vital activity;
- Labor: COSIT has undertaken a labor market survey, including agricultural labor, but the results have limited application from a policy perspective, and the constraints to employment (by gender and social group, full, seasonal, part time, skilled, semi-skilled, unskilled etc.) and conditions of the employment market remain unknown;
- Value: INMA has undertaken a number of value chain studies, in relation to various products and sub-products. Whilst additional work is required to complete this picture; and,
- Trade: Trade volume data from national statistics and WITS/UNCTAD provides little information on primary and secondary cross-border trade (legal/illegal) by product.

National Agricultural Policy and Medium Term Investment Strategy Formulation

As there is no formal national agricultural policy, and the 5 Year Plan for agriculture is poorly prioritized and un-budgeted, an incremental and project driven approach – not sector wide approach – characterizes the sector. The major outcome of the I-AGES project will, therefore, be to deliver world class policy-based action research

(emanating from the research results generated in Phase 1/Year 1) to be conducted by government (i.e. MoA, COSIT, MoPDC) and supported by the project, to feed into a new policy orientation and framework for the sector and to link this (through Phase II/Years 2 and 3) to a medium term budget framework and targeted national growth and employment programmes; enabling in nature.

The core analytical constraints to an evidenced-based strategy are outlined below:

- i. Drivers of Growth: In the absence of economy-wide growth diagnostic work, the drivers of sustained growth and employment in the non-oil economy that government will need to support remain unknown;
- ii. Investment Climate Constraints: The binding constraints to increased private investments and quality growth (human resources, land, the regulatory burden of state, natural resources, infrastructure, finance and security and corruption) have not been surveyed and, as a result, sector wide and sub-sector constraints to growth are not derived in a systematic way, reflective of the sector and economic sub-sectors, or the different agro-ecological zones;
- iii. Agricultural Labor Market: Little is known about agricultural labor and employment markets in Iraq – the COSIT IHSES provided results that were useful but limited – and as a result the impact of public investment has little correlation with supporting structural drivers of change.
- iv. Value Chains: Understanding the agrarian system as a whole also requires that products within this system are mapped, from a production-to-market perspective, to ascertain which elements of the value chain possess the biggest economic rate of return gain through public and private investment, lowering transaction costs, and increasing the economic rate of return on investment;
- v. Trade Volume: The rather porous nature of Iraq’s border trading posts, weak import and export compliance alongside lack of product specific import and export data, make understanding the value of major traded agricultural commodities difficult at best.

Role of Other Actors in Agriculture Sector

Several other UN Agencies, like UNDP, UNIDO, ILO, UNESCO, and WFP have been working in modernization of the policies currently instituted in the Government of Iraq and various line ministries, including Ministry of Agriculture. Although the role of such agencies is specific to the Government’s decentralization process, their work in the agriculture sector remains absent. Therefore, the work of FAO in the Agriculture sector in both policy work (under IPSM, PSD, and now I-AGES) and capacity building (in livestock, crops, fisheries, water management, and micro industry sectors) remains unique.

USAID’s work is mainly focused on improving the agriculture banking system and ensuring micro agriculture loans and access to capital and other stimulus programs. USDA focuses on providing agriculture technical support and capacity building. USDA representatives are embedded with the PRTs. NGOs, with the support of the USAID are mainly focusing on improving the agriculture value chain. These activities, although important, do not target the sector at its core problem, in developing a holistic strategy and policy, targeting issues that impact all subsectors in agriculture.

Donors have an important role to play in the sustainability of this project. Although future phases will be partially supported through funding from Ministry of Agriculture and the central budget of Iraq, FAO is already working with donors bilaterally and governorates under unilateral funding agreements to support the work.

3. Lessons Learned, NDS and ICI Relevance, Cross-Cutting Issues, and Agency Experience in Iraq/in the Sector

3.1 Background/context

The design of this project is guided by the Paris Declaration Principles, to include national leadership and ownership, alignment, harmonization and mutual accountability structures for delivery. It also justifies why the project is to be largely driven by the Policy and Strategy Support Unit (PSSU) within the MoA, to support the work of the Ministry and the NAP-WG, charged with consolidating research results and formulating a forward looking policy framework.

International and Regional Agreements:

The I-AGES project has been designed to support and promote aid effectiveness, poverty reduction and environment conservation, whilst seeking to limit social discrimination and exclusion, corruption and human rights abuses, as both direct concerns and cross-cutting issues. To this end, the I-AGES project will fully mainstream the following central development issues into the project design and project execution mechanism:

- i. ***Paris Declaration on Aid Effectiveness:*** As Iraq is a signatory to the Paris Declaration on Aid Effectiveness, the I-AGES project design commits to (i) support and champion national ownership through the creation of a nationally led Policy and Strategy Support Unit (PSSU) (ii) align project assistance with local management and coordination mechanisms within the sector (iii) harmonization of reporting and management procedures (iv) results-based projecting, integrated into the national planning and budgeting process (v) be designed around mutual accountability (vi) predictability (vii) and, conditionality.
- ii. ***Millennium Development Goals:*** The I-AGES project will pursue the attainment of three core millennium development goals (i) Goal 1: Eradicate extreme Poverty and Hunger (ii) Goal 7: Ensure Environmental Sustainability (iii) Goal 8: Develop a global partnership for development through this project. Goal 1 will be delivered through the development of a national agricultural policy aimed at broad-based growth, economic diversification and short and long term employment generation. Goal 7 will be pursued through environmental conservation and improved watershed and irrigation management practices. Goal 8 will be achieved through linking FAO and UN agency engagements within Iraq (including the PSD and I-PSM projects), to support global-national partnership.
- iii. ***The International Convention on Climate Change:*** The project will take the various measures of this important convention into consideration, within the proposed national policy framework and investment project. Moreover, specific targets will be set, as part of the national agricultural investment strategy, to meet Iraq's contribution to international targets in this area.
- iv. ***Trilateral Commission on the Tigris – Euphrates Watershed:*** In furtherance of the objectives of this regional commission, it is essential for the I-AGES project to fully integrate strategic water resource management issues into the overall policy and investment framework, employing a riparian approach, given the implications of water resource management on agriculture, and on long term environmental and employment futures.
- v. ***UN Convention against Anti-Corruption (UN-CAC):*** Iraq is signatory to the UN Convention against Corruption which aims at eradicating state capture and petty corruption from government business to improve transparency and accountability. Whilst this project will not directly address corruption, the development of a transparent and accountable policy making and investment strategy will contribute towards accountability and transparency in public spending.
- vi. ***Convention on Elimination of Discrimination Against Women (CEDAW):*** The role of women in agricultural production has frequently been underestimated. As a signatory to CEDAW, the project commits to (i) incorporate the principle of equality of men and women within the agrarian system (ii) to support the abolition of any practices that may have been deemed discriminatory against women.
- vii. ***UN Declaration of Human Rights:*** In compliance with the UN Declaration of Human Rights, the I-AGES project will put people at the forefront of the policy agenda, particularly those whose existing livelihoods are threatened by contraction of the agricultural and water resource related economies. As such, the national policy and investment strategy will be equitable in measure, geographically, including having a clear policy over the legal rights of sub-national administration, as well as the rights of the private sector and civil society organizations.

National Development Strategy (NDS)

Under the section on the 'Structural Transformation of the Economy', the 2007-2010 National Development Strategy (NDS) states that 'a strong foundation for economic growth in an economy with a huge natural resources endowment (oil and gas) requires a diversified economy for the following three reasons (i) to protect against the risk of Dutch Disease, This happens when oil exports causes the value of the currency to appreciate, which makes manufacturing less competitive (ii) to limit the volatility of oil market and related fiscal planning shocks and (iii) to use oil as a revenue catalyst for developing the agriculture and manufacturing sectors which in many instances are labor intensive, can help create jobs directly through farming, fishing and the supply chain

associated with delivering agricultural goods to market as well as through jobs in agro- industries. In support of the national objective of mitigating poverty and hunger, GoI made a provisional allocation of US\$4.1 billion for agricultural development over the period 2007-2010 although, given budgetary and resource constraints, the majority of this financing has supported either recurrent cost spending or poorly targeted national investment programmes. The NDS also aims at strengthening institutional effectiveness, good governance at the sectoral level and service delivery, improved policy-based budget formulation and execution and service delivery and enhanced gender equity, poverty reduction and social exclusion. The I-AGES project expects to also align with the anticipated elements of the nearly ready National Development Plan, in which is understood agriculture will play a key role in strengthening broad-based growth, creating employment and conserving the environment.

International Compact with Iraq (ICI) Priorities

In developing the policy effectiveness of core government activities, the International Compact with Iraq (ICI) seeks, through goal 4.6, to support the development of the agriculture sector to achieve food security, generate employment, diversify the economy and preserve the countryside, create an enabling environment for a market oriented agricultural sector and, through goal 4.6.4 to improve the institutional and regulatory underpinnings of public agriculture. The I-AGES project is in line with these internationally and nationally supported priorities.

3.2 Lessons Learned

The collaboration between FAO, MoA and MoWR has worked well and contributed to the smooth operation of the previous FAO projects. Therefore, to nurture this collaboration further, all activities of I-AGES project will be done in collaboration with the relevant line ministries and GoI. This will establish trust and promise greater chance of sustainability of this project.

International contractors have experienced security problems in the past, at times, and therefore majority of staff and contractors on most of our current projects are local. Local staff and companies are known to the local population and this minimizes the intimidation and disruption of the implementation work. Also, in the Iraqi political context, networks is very important, and from experience, we have found that national FAO staff, local NGOs, and local Iraqi counterpart workforce is most effective in implementing projects, rather than remote control approach from Amman.

3.3 Assessment of Cross-Cutting Issues

- **Human Rights:** This project has a strong focus on equitable service delivery through the national policy and investment strategy framework, a firm focus on addressing the constraints faced by the public sector (male and female farmers, contractors, traders, financiers, etc.), including identifying roles of civil society organisations and producer and service cooperatives. The project will contribute to food and water security to all people. Within the beneficiary group, all will be addressed equally.
- **Gender Equality:** Iraq continues in its efforts to meet its obligations under Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW). The I-AGES project, given its commitment to limiting gender and social exclusion, will work to create a better understanding of the role and rights of women within the agrarian system. As a result, the national agriculture policy and strategy frameworks will outline clear measures in the areas of equal ownership opportunity of land and property for women, food security for the vulnerable population, and IDP rights in agricultural sector.
- **Key Environmental Issues:** At the heart of the crisis faced by agriculture and water resource management sectors in Iraq, is environmental degradation. Land and water resources, as well as forestry, livestock and fisheries have all been affected by war, conflict, under-investment and poor policy prescriptions. The Ministry of Environment will be actively involved in the project as will other public sector entities related to industry, water and sanitation, trade and industry, with a view to establishing a new national policy on the basis of a solid environmental conservation policy framework. The project will tackle the environmental issues through a policy and strategy targeting agricultural pollution, specifically in water and land pollution. In addition to other benefits expected by the rural labourers and working farmers, the project will improve the environment by enabling the recuperation of abandoned lands due to unclear land policies for water logging and salinity affected land. The emphasis will be given to improving the efficiency of water use to help avoid problems of salinity associated with excessive water use and inadequate provision for drainage.

This effort will help combat desertification and minimize the dust storms that occur almost daily due to mismanagement of water resources.

- **Employment Generation.** Over the medium to longer term the I-AGES project will have a significant impact on the structure, conditions, and benefits of both public and private sector employment, including on and off farm employment generation opportunities. As part of its commitment to equity and gender, employment-related national projects – to be developed under Phase II – will mainstream employment generation into all core related policies and measures. Over 300 jobs are to be created within the Agricultural subsectors through privatization of certain services. Short term job opportunities will be created through employing the skilled labour in conducting survey.

3.4 Agency Experience in Iraq/in the Sector

FAO has extensive experience in Iraq in assisting the water resources sector during the period of economic sanctions, the “Oil for Food Programme” (UNSCR 986), and through the implementation of over twenty UNDG ITF-funded projects, under which FAO has undertaken several agricultural subsector projects.

FAO is well-established in Iraq with a long record of achievements in developing the agricultural sector and enhancing agricultural capacities in the country. FAO provided enormous assistance in support of rebuilding Iraq post 2003. A reconstruction programme of more than US\$ 123 million operation is being managed by FAO based on the priorities of the Government of Iraq (GoI), in particular the Ministry of Agriculture (MOA) and Ministry of Water Resources (MOWR). These interventions are in the sectors of Seeds, Water resources, Fisheries, Animal Husbandry and Veterinary Services, Date Palm, Food Safety and Agro-Industries.

There are a number of technical fields where FAO has a substantive comparative advantage which could be used to address agricultural sector issues and assist government in paving the way to sustainable agricultural sector development: water management and introduction of water efficient irrigation systems, improved and more efficient methodologies for extension services, efficient use of inputs and improved seeds, support to improved farming systems including dryland and irrigated crops and livestock, improvements in livestock production and productivity, control of Zoonotic and transboundary diseases, integrated plant and pest management, improvements in postharvest technologies, fisheries, natural resources management, the setting up of modern food safety and quality control procedures, food security monitoring systems and formulation of policies for food security, agricultural sector plans, investment projects preparation. Capacity building and technology transfer would be cross cutting components that would characterize all development initiatives.

FAO is the logical agency within the UN system to lead the implementation of the I-AGES project. FAO chairs the Agriculture and Food Security Sector Outcome Team (AFFSOT) and has the specialized mandate to lead agriculture-related programming. FAO maintains a close relationship with the Government of Iraq and the ministries in the implementation of all projects, and it maintains a strong networking channel to execute projects both at delivery and policy levels. FAO can thus utilize its existing platform to establish the mobilization of the proposed PSSU to support the MoA in its policy management and institutional reforms to enhance quality growth and employment in an efficient and effective manner.

4. The Proposed Project

Purpose

The purpose of the I-AGES project is to create an enabling environment that maximizes agricultural growth/diversification and employment generation in support of poverty reduction and food security. This will be achieved by removing binding constraints to growth at the policy, institutional and agrarian systems level through the strengthening of public sector investment, and by providing greater space for the private sector in this most important economic area.

Rationale for the Project

There is no agricultural policy in Iraq, and no budgeted national investment strategy that links, policy, planning, budgeting and execution within a medium term expenditure framework. The current system continues as it did in the 1970s and 1980s, as a rather command control and centralist approach to service delivery where the relationship with the private sector is ambiguous at best and, at worst, policy regressive. Since 2003, the MoA,

alongside the MoWR, has attempted to restore the basic capacities of the state in agricultural growth, yet the structure of state-controlled delivery, trade tariffs that favor imports over domestic production, state-controlled not market-based financing, and lack of evidence to build a clear investment strategy (what to do now, what to do later, at what costs, by whom, and to support which policy outcome and impact) have meant that gains have been largely incremental.

2 Phased I-AGES Project (36 Months)

The relevance and timeliness of the I-AGES project is clear. I-AGES builds on, and is shaped by, the recent work undertaken by the Prime Minister's Advisory Commission (PMAC) in relation to agricultural policy development, where concern has been expressed about the ineffective policy framework adopted by the MoA and its potential detrimental impact on the agricultural and water resource management systems. The I-AGES project takes up this challenge.

The project is designed as a two-phased approach:

- **Phase I** (action research, analytical and diagnostic work) to be provided in Year One, the results of which are to be presented to the Project Steering Committee for use in Phase 2 Strategy and Policy Formation, and;
- **Phase II**, the formulation of a National Agricultural Policy and related National Agriculture Investment Strategy, including development of budgeted national priority projects, to be developed in Years Two and Three, through the national budget process. The national projects will focus on practical measures to enhance growth and to generate jobs for people, on and off farm, on a sustainable basis.

Phase 1 Approach and Methodology: Whilst conducting research within the problem areas outlined above, using standard international approaches, Phase I (Year 1) of the project will be dedicated to practical actionable research and survey work. Moreover, given the paucity of relevant information, it is proposed to (i) conduct new research through the Policy and Strategy Support Unit (PSSU) where such research does not exist and (ii) where it does, to update it, fill gaps or strengthen analysis to provide for the first time a comprehensive understanding of the agricultural system in Iraq, to inform policy and public investment managers of how best to invest (i.e. finance, infrastructure, inputs, trade facilitation etc.) in the context of post-conflict Iraq.

Phase 2: Following the first phase of the research, Phase II (Years 2 and 3) would bring this rich and up-to-date analysis together and the Inter-Ministerial Task Force, PMAC, supported by the NAP-WG, would formulate a modern, market policy and investment strategy that would change the way government does business within the sector, and also lead to the formulation of National Priority Programs (NPPs) in growth and employment, as the basis for formulating each annual budget. The role of the PSSU will be vital to this endeavor.

Proposed Action Research Methodology

All action research is to be implemented by government (MoA/NAP-ITF/NAP-WG) with the day-to-day hands-on support of the dedicated PSSU, to be staffed by MoA and supported by FAO. Given the need to develop a comprehensive approach, whilst assisting in the development of relevant government statistics to support, the Ministry of Planning and Development Cooperation/COSIT as well as other national entities (MoT, MoE etc.) will be either charged, or actively engaged in conducting the field-based research.

As mentioned above, where relevant research findings already exist, then each research area will proceed on the basis of reviewing existing work and extracting relevant findings for agricultural policy. This speaks to having a desk review of existing findings before launching into surveys. However, based on the assessment done to date, most of the research outlined above has so far yet to be conducted. However, through the Inter-ministerial Task Force and NAP-WG, collaboration between all relevant Ministries and donors (World Bank, USAID, UN, DFID, EC/EU, Japan, Australia, South Korea etc.) will lead to full multi-stakeholder approval of all stages of the proposed action research project.

a) Growth Diagnostic Framework Research

This work, which will have wider relevance to the entire economic development process, will use the Hausmann, Rodrik and Velasco (2005) Growth Diagnostic framework to determine the major drivers and sources of growth. The framework focuses on what authors call the "binding constraints to growth" – i.e. the constraints whose removal would have the largest payoff in terms of growth. The growth diagnostics

framework provides a consistent strategy for identifying the most critical or binding constraints to growth, aiming to inform the prioritisation and sequencing of policies required to sustain growth. Interactions between and sequencing of reforms are key for the development of policies and strategies. This framework is designed to encourage context-driven policy and reform supported by economic analysis.

Once the most significant binding constraints to growth are removed, the economy will therefore grow until another constraint binds it. The Growth Diagnostic framework will address the issue of why a country exhibits low rates of private investment. Whilst applying the Growth Diagnostic Framework to Iraq will be extremely challenging, this work will be contracted or managed by the Harvard University Growth diagnostic Framework research team who have substantial experience in its application.

b) Investment Climate Survey

The investment climate survey, which would look at constraints in relation to (i) labor (ii) natural resources (iii) infrastructure (iv) finance (v) regulatory burden and (vi) insecurity and corruption. The results of the survey would complement the Growth Diagnostic Work, and create a rich – and geographically responsive – understanding of investment climate constraints across the agrarian system and agricultural commodity and labor markets. The survey will provide a representative sample across agricultural and employment market sub-sectors and will cover over 5,000 small to medium sized business activities and entrepreneurs. The results however are likely to confirm the need for the following actions, although the outcome of the research will speak for itself.

The results of the investment climate survey would be presented by economic sub-sector activity, including on farm, off farm, and non-farm production. Results would be ranked both by sub-sector and geographical unit (national, regional, provincial, major urban areas) so that the top binding to constraints to growth will be clearly identified. The results, in addition to the growth diagnostic findings will provide a rich understanding of what is constraining growth in Iraq. The results (a graphic example of which is provided below – showing constrain by survey ranking) will inform national policy formulation and the focus on the national agricultural investment program.

c) Labor Market Survey

The proposed labor market survey, to be implemented by MoPDC-COSIT, and overseen and supported by the PSSU, will lead to statistically representative data on the structure of agricultural employment and seasonal/itinerant labor (much of which now comes from outside of domestic labor pools), by economic classification, activity, location, age group, gender, wage rate and other information relevant to policy formulation. The ILO will also provide oversight support to the survey and interpretation of results and have input to the design, survey strategy, enumerator training and deployment. The results of this survey will allow a provincial-based approach to targeted investment programs, something which currently does not exist, but is urgently required. Moreover, it will allow the PSSU team and NAP-WG to consider what will be the impact any policy will have on domestic labor, rather than the overall supply per se.

d) Value Chain Studies

Even though various value chain studies have been undertaken by INMA, the national value chain picture is incomplete in a number of regards. Providing a market-based analytical approach, (i) existing (ii) emerging and (iii) potential value chain products will be critically evaluated to look at the economic rates of returns – across different production channels – across the stages of the entire value chain (production, wholesale, retail and end markets. This will not just include agricultural products per se, but also off farm related activities too, many of them with a gender-based employment focus. Value chains might, therefore, include household industries. The value chain work will also assess fixed and variable constraints to growth and investment, by end market, be it domestic, regional or international and by product. The PSSU, working closely with the NAP-WG will work to compile existing results, working with USAID-INMA, USDA, and World Bank as necessary, to build a more complete picture of where the major focus on public-private investment should be. The value chain studies will be consolidated into a final volume and the results will inform the formulation of both policy and national investment program.

e) Trade Volume Data

Whilst Iraq is dominated by oil production, the exact volume and value of import and exports for all kinds of farm, off farm and non-farm agricultural products are poorly documented, both due to weak recording and the

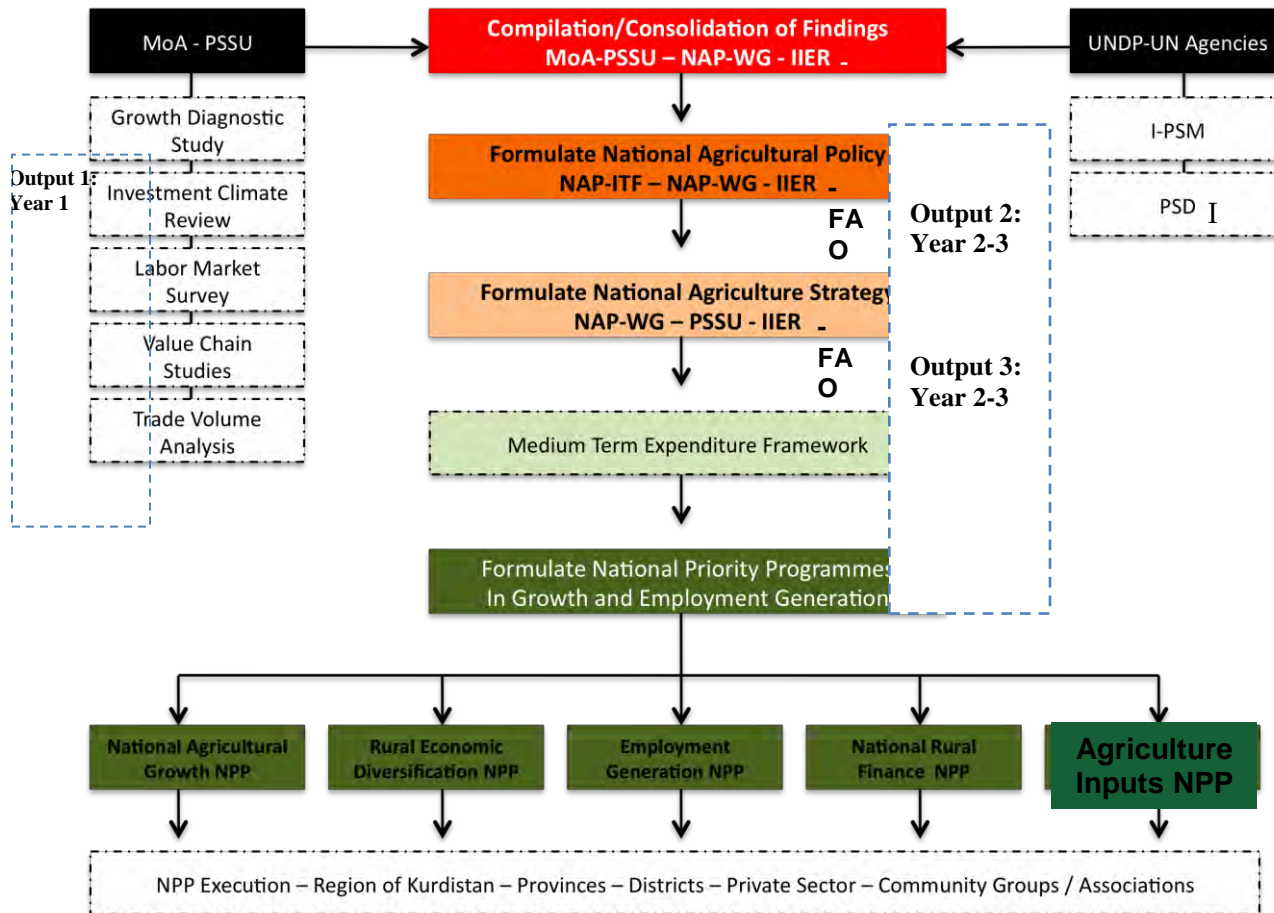
highly porous nature of certain trade routes into Iraq. The Ministry of Trade, MoPDC and Central Bank all collect and process trade based information (balance of trade etc.), yet for many of the primary products traded across the main borders, the results are often aggregated and poorly recorded. This work, to be conducted by the PSSU with the various Ministries, will first seek to compile an exact picture of traded agricultural commodities based on existing information, mapping these from production to regional markets for exports, or from regional markets to domestic markets for imports, to understand the major import and export trade routes for certain products. Based on a provisional review of various trade-based statistics for Iraq (WITS/UNCTAD/UN Commercial trade, MoF-Customs, Trade Bank of Iraq, MoT) it may be necessary to substitute available information with a small trade volume survey, covering both major and provincial roads, to build up a more precise picture of cross-border commodity-merchandise trade. For doing this survey and study, FAO will collaborate with, MoA and MoT for the trade volume study and analysis and MoPDC/COSIT for the survey work. Any decision to undertake such research will be agreed with the relevant Ministries and conducted in coordination.

Phase II: Policy Formulation and National Agricultural Investment Program Development

Research findings will be compiled and consolidated into one volume, as the basis for supporting the development of a National Agricultural Policy and Investment Strategy. The process of undertaking policy formulation will involve selection of a Policy Drafting Committee by the Minister of Agriculture, with representatives from the Inter-Ministerial Task Force and NAP-WG (to include donors), supported by FAO and the PSSU. It is expected that up to 12 months will be required to draft, consult (including with representatives of the private sector), re-formulate, and finalize the draft policy given that the orientation will likely have profound implications for existing institutions, as well as planning and budgeting processes. Until such a time as the MoPDC is no longer required to jointly lead such a process, the planning ministry will be directly involved in this process. Once formulated, a two-day National Workshop will be held in Baghdad, with representation from the Region of Kurdistan and the Provinces, private sector, chambers of commerce, banks etc., to finalize the policy framework and related measures. Once complete, the policy will be presented to the Council of Ministers by the members of the Inter-Ministerial Task Force for endorsement.

Once endorsed, the national policy framework will be fed into a medium term strategic planning, where policy principles, priorities and practices are reviewed and public investment priorities set (i.e. whether to remove trade-based constraints, infrastructure bottlenecks, expand access to agricultural credit, construct new value chain infrastructure etc). The investment strategy will be divided into National Priority Programs (NPPs) such as (i) agricultural credit markets (ii) infrastructure (iii) watershed development (iv) Employment Generation Schemes (EGS) (v) small to medium enterprise development (vi) food storage and marketing (vii) policy development etc. The national budget for the sector will, as a result, become programmatic and driven by sector wide goals and outcomes, not just incremental inputs. The Medium Term Investment Strategy, to support the new agricultural policy, will lead to the prioritization and sequencing of public interventions, within a clearly defined fiscal framework. The strategy will be financed through the national budget formulation and execution process, and will include budgeted benchmarks for delivery.

Generalized I-AGES Work Flow



Links with the I-PSD Program

The US\$30 million Private Sector Development Program (PSD) being led by UNDP, of which FAO has received an allocation of US\$3.3 million will be fully integrated with the I-AGES project, given that both aim at fostering private sector led growth and employment, through the creation of an enabling environment for private investment. The National PSD Task Force, which is leading on PSD related legislative, policy and institutional reforms, supported by UNDP and UN agencies (FAO, UNIDO etc.) will also play a substantive role in limiting the crowding out of the private sector by government, including through the restructuring of State-Owned Enterprises. Given the number of SOEs in MoA, around which the current service delivery model is structured, a primary supporting function of the PSD program will be in the areas of economic policy and restructuring of state-owned enterprises. The various policy papers that FAO is working on will be refocused to reflect the major lines of policy thinking emerging from the action research conducted under I-AGES. I-Ages Steering Committee will consist of several of the same Agencies and members from I-Ages program will attend PSD technical meetings to make sure the two programs are complementing each other and that there is no repetition of efforts.

Links with the I-PSM Program

The I-PSM program is a US\$55 million joint program of the UN established to support the GoI in modernizing its public sector. The project will address existing public sector governance constraints through a government-led, centrally administered and coordinated approach that (i) fosters an enabling environment for service delivery based reform (ii) supports rationalization of the architecture and machinery of government (iii) improves human resource management and culture through modernizing the civil service (iv) enhances administrative functionality (v) develops clearly defined and budgeted service delivery models in core sectors (vi) approaches decentralization through a service delivery lens and on a sector-by-sector basis and, (vii) increases the devolution of service delivery to secure accountability, transparency and effectiveness, through participatory local governance, and (viii) improves the capacity of local government institutions for decentralized service delivery. The IPSM– now in its start-up phase - will provide the overall framework for any subsequent administrative reform and modernization (functional restructuring) required within the MoA as

a result of the new policy framework. Efforts would focus on rationalizing administrative structures, functions, staffing establishments and improving civil service and human resource management capacities, following the establishment of the Public Service Council. If a formal functional review is to be conducted, this will need to be financed from additional resources.

Links with the Other Initiatives

Developing Iraqi Agricultural and Agro-Industrial Data, Information Systems and Analytical Capacities

The I-AGES project is connected with Agricultural Survey project since the information gathered from that project will also assist in strategy and policy development for the sector.

National Water Resources Master Plan

Several of FAO projects have targeted rehabilitation of water facilities and sources. In addition a connection with the ongoing UNESCO water management projects, in the framework of the National Water Resources Master Plan for Iraq, implemented by UNESCO and MoWR, is also clear. One of the highest priorities of the Iraqi government has been rehabilitation of the water planning sector. The government considers water security a prerequisite for food and health security, environmental sustainability and socio-economic reconstruction and development. The I-AGES project will link with water initiatives like the Master Plan with a common goal of targeting water management and drought issues on not just the grassroots level but also on strategy and policy level.

The Local Area Development Project (LADP)

I-AGES has a distinct connection with the LADP project, with goal of increasing employment through planning and strategy across different sectors. The LADP project arose out of a need to quickly and effectively address the high levels of poverty and unemployment in particularly vulnerable parts of Iraq, through a coordinated multi-sector and sustainable approach. I-Ages will work with LADP goals of creating employment and enabling strategy reforms on the governance level.

Other Linkages

In addition to coordination with ongoing agricultural projects, the I-AGES project will support the work of various UN Sector Outcome Teams like AFFSOT (Agricultural Sector work), WATSAN (Water Master Plan), and Governance (I-PSM, PSD).

This project will address several cross cutting issues including, poverty reduction, employment, policy development, and human rights and gender equality, as mentioned in the cross cutting section.

5. Results Framework

Table 1: Results Framework and Indicators for the I-AGES Project

Priority/ goal(s):		National priority or goals (NDS 2007- 2010 and ICI): NDS Goal (#): (1) ICI Benchmarks: ICI Goal 4.6 Benchmarks: 4.6.4					
UNCT Outcome		Enabling environment created for sustaining agriculture development and food security					
Sector Outcome		Sector Outcome 1: Enhanced production and productivity in the agricultural sector					
Outcome 1: Enhanced production and productivity in the agricultural sector		NDS / ICI Priorities: <u>NDS Goal</u> (#): (1) Mitigate Poverty and Hunger ICI Benchmarks (as per the Joint Monitoring Matrix 2008): ICI Goal 4.6: To support the development of the agriculture sector to achieve food security, generate employment, diversify the economy and preserve the countryside. Create an enabling environment for a market oriented agricultural sector. Benchmarks: 4.6. 4.Improve institutional and regulatory underpinnings of public agriculture					
JP Outputs	UN Agency Specific Output	UN Agency	Partner	Indicators	Source of Data	Baseline Data	Indicator Target
Output 1: GoI and partners have improved knowledge and evidence base for the development of national agricultural policy and strategy	Output 1: GoI and partners have improved knowledge and evidence base for the development of national agricultural policy and strategy		MOA, MOWR, MOPD	Number of MOA /COSIT/NAP-WG/University staff trained on growth diagnostic design	Training Report	0	8
				Percentage of trainees fully satisfied with the quality of the training in terms of relevance and usefulness	Post training participants' assessment	NA	80%
				Study on investment and policy produced	Study Report	No	Yes
				Number of MOA /COSIT/NAP-WG/University staff trained on identification and analysis of agriculture growth indicators	Training Report	0	8
				Percentage of trainees fully satisfied with the quality of the training in terms of relevance and usefulness	Post training participants' assessment	NA	80%
				Study on Core Drivers of Agricultural and Employment Growth produced	Study Report	No	Yes

MOA, MOWR, MOPD	Number of MoA /COSIT/PSSU/NAP-WG staff trained on design and analysis of investment climate survey	Training Report	0	4
	Percentage of trainees fully satisfied with the quality of the training in terms of relevance and usefulness	Post training participants' assessment	NA	80%
	Study on Core Binding Constraints to Investment Climate at the Sectoral and Sub-sectoral Levels completed	Study Report	No	Yes
MOA, MOWR, MOPD, MOL	Number of MoA/COSIT/NAP-WG staff trained on labor market survey design and analysis	Training Report	0	9-10
	Percentage of trainees fully satisfied with the quality of the training in terms of relevance and usefulness	Post training participants' assessment	NA	80%
	Report based on national labour and employment survey completed	Survey Report	No	Yes
MOA, MOF, MOT,MOIM	Number of MoA/PSSU/NAP-WG staff trained on analysis of value chain for key products	Training Report	0	7
	Percentage of trainees fully satisfied with the quality of the training in terms of relevance and usefulness	Post training participants' assessment	NA	80%
	Report on targeted value chain for key products completed	Study Report	No	Yes
MOT	Number of MoA/MoF/MoT staff trained on conducting trade volume analysis	Training Report	0	7
	Percentage of trainees fully satisfied with the quality of the training in terms of relevance and usefulness	Post training participants' assessment	NA	80%
	Study on Trade volume and value analysis completed	Study Report	No	Yes

Output 2: GOI better able to formulate and implement the National Agriculture Policy	Output 2: GOI better able to formulate and implement the National Agriculture Policy		MOA	Number of MoA trained on developing a National Agriculture Policy	Training Report	0	10
				Percentage of trainees fully satisfied with the quality of the training in terms of relevance and usefulness	Post training participants' assessment	NA	80%
				New National Agricultural Policy drafted	Policy Document	No	Yes
Output 3: GoI better able to develop and implement the agriculture sector investment strategy in line with national priorities	GoI better able to develop and implement the agriculture sector investment strategy in line with national priorities		MOA	Number of MoA staff trained on developing an agriculture sector investment strategy	Training Report	0	15
				Percentage of trainees fully satisfied with the quality of the training in terms of relevance and usefulness	Post training participants' assessment	NA	80%
				National Agricultural Investment Strategy drafted	Strategy Document	No	Yes
			MOA, MOWR, MOPD	Number of MoA, MoPDC, NAP-WG trained on developing budgeted and strategically aligned a. agricultural growth stimulant program b. economic diversifier program c. employment generation program	Training report	0	15
				Percentage of trainees fully satisfied with the quality of the training in terms of relevance and usefulness	Post training participants' assessment	a. NA b. NA c. NA	80% 80% 80%
				New National Priority Programmes identified	MOA	No	Yes

6. Management and Coordination Arrangements

Given that the I-AGES project aims to deliver a vital new policy framework and investment project, and given the need for inter-ministerial coordination and agreement, the proposed coordination and management framework also reflects the need for consensus and high-level decision-making. The I-AGES project will also benefit from the reform and modernization decision made by the I-PSM and PSD Task forces, to which both the Ministers of Agriculture and Water Resources are members. Finally, the I-Ages project will make full use of existing steering committees already established, like PSM, PSD, LADP, and Water Master Plan, by attending their steering meetings and discussing common issues where possible.

Management and Delivery Structure

The I-AGES project is a government-led national project, supported by FAO and other members of the UN Country Team, supported by the following description of roles and responsibilities.

Inter-Ministerial Task Force

The Chair of the Task Force will be the Minister of Agriculture. Likely membership will include the Minister of Water Resources, Finance, Planning and Development Cooperation, Industry, Trade, Environment, Secretary, the Agricultural Advisor of the Prime Minister's Advisory Committee (PMAC) and, once established, the agricultural advisor within the new COMSEC Advisory Board. Other executive officials can join the Task Force, including parliamentarians, at the determination of its leadership on a needs basis, as the project scales to include other government entities. The overall mandate of the Inter Ministerial Task Force is as follows:

- Overall sector policy and investment coordination.
- Policy, planning and sector budget leadership.
- Deliberation of research findings – development of a matrix of corrective measures.
- National Agricultural Policy formulation.
- National Investment Strategy Formulation.
- National Priority Program development, resourcing and oversight.
- Resolving problems, providing direction and tasking the NAP-WG.

National Agricultural Policy – Working Group (NAP-WG)

To support the work of the Inter-Ministerial Task Force, the NAP-WG is to be co-chaired by the Deputy Minister of Agriculture and the PMAC Agricultural Advisor, and composed of ministerial advisors, members of the PSSU, donors and private sector representatives. The primary task of the NAP-WG is to direct, shape, and has oversight of the work of the MoA PSSU, including agreeing research and methodological issues, the consolidation and development of evidence-based findings and making policy and investment recommendations to the Inter-Ministerial task Force. FAO will provide the secretariat function to the NAP-WG.

The NAP-WG will – throughout Phase I and II – have a clear public policy dialogue policy and will include more than 20 national and regional workshops and seminars on various issues. This work will be coordinated with the Iraq Institute for Economic Reform (IIER), and be coordinated with the ongoing PSD project.

Policy and Strategy Support Unit (PSSU)

Given the relative lack of capacity in the Ministry of Agriculture, and in line with FAO's strategy, a Policy and Strategy Support Unit (PSSU) composed of national experts, yet supported by a long term international advisor, will be based within the MoA directly, attached to the Minister's Office. Periodical short-term international technical assistance and oversight would be provided through specific and focused missions as needed. In addition a substantive national capacity building component will be incorporated in the project to enhance the national capabilities in supporting the private sector and contributing to the fulfillment of the evolving new government functions under the privatization process as noted above. Expertise will likely include agricultural/rural development policy and strategy development, agrarian systems, market development, investment and business climate, water resources, public administration reform, finance and output and impact monitoring. The PSSU will lead the analytical and diagnostic work, on behalf of the Minister and NAP-WG.

UN Sectors

At the level of the UN the entire project is being coordinated by FAO, supported by the Agriculture and Food Security Sector Outcome Team (AFSSOT), by addressing the sector outcome targeting enhanced production and productivity in the agricultural sector. Furthermore, within the UN system, close coordination between the I-PSM and I-PSD projects will be established with the Council of Minister's Secretariat and close collaboration will be provided with the UN Country Team and the Economic Recovery and Diversification Sector Outcome Team. The project will also work with Economic Reform and Diversification Sector Outcome Team (ERDSOT), GOVERNANCE, and Water, Sanitation and Hygiene Sector Outcome Team (WATSEN) sectors on common issues.

Project Steering Committee

The Project Steering Committee (PSC) will be chaired by Ministry of Agriculture (MoA), and comprised of Ministry of Planning and Development Cooperation (MoPDC) with representatives from COSIT also, Ministry of Water Resources (MoWR), Ministry of Trade (MoT), Ministry of Industry and Minerals (MoIM), and possible representatives from the private sector. The PSC is responsible for oversight of project implementation and to provide general policy guidance of the project. The PSC will meet on a quarterly basis. In the first meeting the PSC will identify its mechanisms of work and precise frequency of the meetings.

7. Feasibility, Risk Management and Sustainability of Results

Feasibility and Risk Management

The I-AGES project is essential to meet national agricultural development objectives; however its implementation remains contingent on overcoming a number of risks and operational constraints. These risks have been significantly mitigated by the design of the project, in particular securing government leadership and ownership.

However, contingent risks include (i) the problem of continuing insecurity which limits field-based analytical work (ii) lack of national experience in action oriented policy-based research (iii) an ongoing economic ideology that reflects centralised command control thinking (iv) weak donor coordination in the area of agricultural reforms and (v) fiscal challenges when it comes to financing national priority projects and (vi) weak inter-ministerial coordination.

To mitigate these risks, (i) procurement procedures will be selected to minimise disruption due to insecurity (ii) the PSSU will be based within the MoA to build national agricultural research and policy formulation capacities (iii) in partnership with the IIER and PMAC, a new policy future will be driven by evidence and consensual participatory processes (iv) donor will be coordinated through the NAP-WG (v) all national investment projects will be designed within a sector-based medium term expenditure framework and (vi) inter-ministerial coordination will be strengthened through support provided by COMSEC and the PMAC. Key project assumptions include effective government leadership and ownership, and government support of an enabling environment for private sector agricultural reforms.

Table 4: Risk Assessment for the I-AGES Project

Risks	Risk Factors	Level	Counter Measure
Political	Lack of political support for a structural agricultural reform agenda	High/ Medium	National ownership, partnership, learning through doing, action based policy research and public policy dialogue assisted by IIER.
Security	Security transition incomplete, undermines focus of government and role of technical support	High	The main support for technical assistance
Economic Policy	Risk that proposed agricultural policy not supported by CoM	Medium/ Low	The inter-ministerial Task Force, which will include upwards of 5 ministers, mitigates concerns in this regard.
National	Many of the research approaches,	Medium	Core ministries selected, training provided,

Capacity in Evidence Based Policy	whilst international standard, are new to Iraq and to the GoI		processes institutionalised and possible senior executive service initiated to create senior civil service cadre
National Leadership	Few champions of reform in current administration, or champions not in appropriate position	Medium	The ITF and NAP-WG are designed to address this concern, bring existing policy makers and new policy thinkers together in a collaborative process.
Procurement and Delivery	Failure to deploy PSSU would undermine achievement of purpose and objectives	Medium	The project management and research will be delivered through a private contractor, recruited through international competitive bidding
National Coverage	Kurdistan needs to benefit from this policy agenda and framework	Medium/ Low	Consider establishing a satellite policy advisor based in Iraqi Kurdistan to provide a whole-of-government approach
I-PSM - PSD	Given the benefits of linkage with the I-PSM and PSD, any delays in these projects will have implications for I-AGES	High	Once A National Modernization Project supported by CoM is agreed, and the PSD Strategy is in place, this risk will be largely resolved.
Donor Coordination	Risk of parallel structures, weak harmonisation and alignment	Low	NAP-WG to whole-of-international community donor coordination.
Sustainability	No GoI buy in and reform project fails to gain traction.	Low	GoI leadership of I-AGES driven by the ITF and NAP-WG.
Results Evaluation	Outcome and outputs hard to measure and monitor	Low	Joint GoI/FAO System monitoring of clearly identified indicators and sources of verification

Project Sustainability

In addition to the evolving security situation, there is also a potential threat to sustainability if the project does not receive adequate future funding and support from GoI for policy formulation and execution. Diagnostic Studies and Surveys will need to be updated regularly in order to project a modern agriculture and investment policy and strategy, to develop competitive agriculture markets and stimulate private sector investment.

FAO is embarking upon this exercise on the assumption that the GoI will provide unequivocal support to the project. This project will require significant collaboration between government institutions as well as between UN and regional partners. The PSC will tackle this particular point on the basis of dialogue and understanding and hopefully build partnerships that will support the activities beyond the project.

Dissemination of information is crucial for sustainability of the project results and therefore end of project conference and follow-ups will be done with MoA and other stakeholders.

8. Monitoring, Evaluation, and Reporting

8.1. Monitoring and Evaluation

FAO will monitor the project following its own monitoring and evaluation guidelines and procedures, as described below. In addition to that, there will be quarterly review meetings of the Project Steering Committee, at which each participating agency will present progress reports to the group. The Project Committee will:

- Track implementation of activities,
- Identify risks and provide contingency action,
- Ensure that technical support is provided as necessary.
- Review financial progress based on the financial statements provided by FAO
- FAO Project Manager will submit the quarterly fiche

FAO will prepare and submit quarterly reports to the Project Steering Committee Chair. The report will cover the following:

- Follow up on progress in the implementation of all project activities as outlined in the project annual plans of action,
- Identify any delays in project implementation and recommend corrective action needed,
- Review quarterly financial reports for each of the project activities.

Final Project Evaluation: During the second half of last year of the project, an external project evaluation will be conducted to make an overall assessment of project results. FAO will be responsible for managing the evaluation process in line with FAO's corporate guidelines on evaluation.

8.2. Reporting

Reporting will be in accordance with UNDG ITF rules and regulations in addition to agencies' rules and regulations. Accordingly, all financial reports, annual narrative progress reports, quarterly fiches, and project completion report will be prepared by FAO and directly submitted to the MDTF office.

FAO will also be responsible for any reporting required by the Project Steering Committee, including quarterly and annual progress and financial reports to the PSC.

Annual Reports

Six-monthly progress reports will provide an assessment of progress against outputs, stipulated indicators and their contribution towards the outcome as stated in the results framework, and as measured by the corresponding indicators. In all cases an evidence-based approach will be used and the results framework will be updated with new objectively verifiable indicators, means of verification and assumptions as the project rolls out. The six-monthly report will focus on output-to-outcome level results but also in identifying major problems to be addressed by the Inter-Ministerial Task Force, the NAP-WG, PSSU and FAO Team Leader. The results of the six monthly reports will be presented at the Task Force meeting to provide an evidence-based approach, upon which recommendations and corrective measures will be proposed. Actions to be taken will be jointly agreed by the Task Force and directives provided accordingly. Donors will also be invited to contribute towards this process, in particular where their activities are being coordinated within the national project framework.

Quarterly Progress Reviews

In addition to the above, the PSSU will provide quarterly progress reviews to present activities undertaken to the members of the NAP-WG and relevant contract points in relation to the I-PSM and PSD projects. The results of this quarterly review process will feed into the six monthly reporting process, linking activities to outputs and outputs to outcomes results tracking. This process will also report at the aggregate level total quarterly expenditures, the composition of spending and its contribution towards meeting project results.

Annual Review Exercise

An annual I-AGES project review exercise will be organized at the level of the NAP-ITF, around which the annual work plan can be monitored and future work plan and priorities determined. The evaluation, which will be conducted in accordance with theory-based-evaluation will not only assess the results of the project, agreeing any revisions required to work-plans and implementation modalities for the MoA and PSSU, but will be a participatory process – involving the IIER - to the extent possible by conducting key informant and focus group discussions within the ministries.

External Evaluation

An external impact evaluation will be undertaken in the final year of the project to (i) assess the contributions of the project towards national agricultural policy and investment project implementing whilst distinguishing these from the influence of other, external factors (ii) assessing the efficiency of the I-AGES project in meeting stipulated results (iii) informing decisions on whether to expand, modify or eliminate activities and component outputs as required (iv) drawing lessons for improving the design and management of future activities (v) comparing the effectiveness of alternative interventions and (vi) strengthening accountability for results. This will be a joint GoI/FAO Agency evaluation and will be coordinated with the GoI and NAP-WG and PSSU.

9. Work Plans and Budgets

Work Plan for: Iraq Agricultural Growth and Employment Support (I-AGES) Project

Period Covered by the Work Plan: 01 June 2010 – 31 May 2013

Sector Outcome (s): Sector Outcome 1: Enhanced production and productivity in the agricultural sector													
Outcome(s): Enabling environment created for sustaining agriculture development and food security													
UN Organization-specific Annual targets	Major Activities	Time Frame (By activity)									Implementing Partner	PLANNED BUDGET (By output) US\$	
		1	2	3	4	5	6	7	8	9			
Output 1 GoI and partners have improved knowledge and evidence base for the development of national agricultural policy and strategy													
Output 1.1 Inception Phase: Establish Teams, TOR finalized													
FAO	Establish the TOR of all staff on project	X										FAO/PSSU	2,500
	Establish the NAP-WG	X											
	Procure PSSU Management Team	X											
Output 1.2 Identify Drivers of Growth													
FAO	Growth Diagnostic Design- Train and assist 6-8 MOA /COSIT/NAP-WG/University staff in growth diagnostic design	X										FAO MoPDC– COSIT Harvard University NAP-WG	900,000
	Data Collection – Analysis- Train and assist 8-10 MOA/COSIT staff(same as above staff) in identification and analysis of agriculture growth indicators	X											
	National Field Work		X										
	Circulate Initial Research Findings to all stakeholders		X										
	Compile and Present Results / IIER			X									
Output 1.3: Identify Binding Constraints to Growth													
FAO	Investment Climate Survey Design		X									MoA COSIT PSSU NAP-WG	800,000
	Train Design Teams- Train and assist 4-6 MoA/COSIT/PSSU/NAP-WG staff in investment climate survey design		X										
	Deploy Design Teams – Implementation			X									
	Data Entry – Analysis – Findings- Train and assist 4-6 MoA/COSIT/ staff (same as above staff) in analysis of investment climate survey/study results			X									
	Compile and Present Results / IIER				X								
Output 1.4: Understand Agricultural & Rural Labour Market Dynamics													
FAO	Design Labor Market Survey- Train and assist 9-10 MoA/COSIT/NAP-WG staff in labor market survey design		X									MoA MoPDC- COSIT FAO ILO NAP-WG	1,000,000
	Train Survey Teams- Train and assist 9-10 MoA/COSIT/ staff (same as above staff) in survey design and indicators collection		X										
	Deploy Survey Teams – Implementation			X									
	Data Entry – Survey Analysis – Findings Train and assist 9-10 MoA/COSIT/staff (same as above staff) in survey/study results analysis			X									
	Compile and Present Results / IIER				X								

Output 1.5 Assess Value Chains to Identify Major Areas of Enhanced Economic Return													
FAO	Compile Existing Studies									X	FAO PSSU MoA USAID-INMA IIER NAP-WG	900,000	
	Assess Gaps and Research Needs									X			
	Contract out Target Value Chain Work									X			
	Compile Results									X			
	Formulate Findings (On, Off and Non Farm)- Train and assist 7-9 MoA/PSSU/NAP-WG staff in study results analysis									X			
	Compile and Present Results / IIER									X			
Output 1.6 Identify the Value and Volume of Agricultural Import and Export Commodities													
FAO	Compiling Trade Related Information									X	FAO PSSU IIER WITS UNCTAD UNCOMTRADE MoF MoT	547,500	
	Assess Gaps and Research Needs									X			
	Contract out Target Import/Export Study Work									X			
	Compile Results (Volume/Value)									X			
	Formulate Import/Export Volume Findings- Train and assist 9-10 MoA/MoF/MoT staff in study results analysis									X			
	Compile and Present Results / IIER									X			
Output 2: GOI better able to formulate and implement the National Agriculture Policy													
FAO	Present Consolidated Research Findings									X	MoA NAP-ITF NAP-WG IIER CoM	200,000	
	Outline Proposed Corrective Measures- Train and assist 10-12 MoA in developing Agriculture Policy									X			
	Form Drafting Committee with GoI counterparts									X			
	Public Consultation on Draft National Policy with all stakeholders									X			
	Policy Revision – Submission to CoM									X			X
Output 3: GoI better able to develop and implement the agriculture sector investment strategy in line with national priorities													
FAO	Complete Sector Expenditure Framework									X	MoA NAP-ITF NAP-WG FAO/PSSU	375,000	
	Review Expenditure – Policy Alignment									X			
	Assess Functional Delivery Structure / Roles									X			
	Identify Strategic Investment Priorities									X			
	Draft Strategy Aims, Measures, Delivery Roles, Costs, Monitoring, Benchmarks- Train and assist 10-12 MoA in agriculture sector investment strategy development									X			
	Integrate Budgeted National Strategy to Budget									X			X
FAO	Design National Agricultural Growth Program- Train and assist 15-20 MoA, MoPDC, NAP-WG in developing budgeted and strategically aligned agricultural growth stimulant program									X	X	MoA MoPDC NAP-WG	275,000
	Design Economic Diversification Initiative– Train and assist 15-20 MoA, MoPDC, NAP-WG in developing budgeted and strategically aligned economic diversifier program									X	X		
	Design National Employment Generation NPP- Train and assist 15-20 MoA, MoPDC, NAP-WG in developing budgeted and strategically aligned employment generation program									X	X		
	End of Project Conference										X		
Total FAO											\$5,000,000		
Total planned Budget											\$5,000,000		

PROJECT BUDGET

PROJECT BUDGET		ESTIMATED UTILIZATION OF RESOURCES (US\$)		
CATEGORY	AMOUNT (US\$)			
CATEGORY	AMOUNT (US\$)	2010	2011	2012
1. Supplies, commodities, equipment and transport	33,400	11,400	11,000	11,000
2. Personnel (staff, consultants and travel)	322,000	110,000	110,000	102,000
3. Training of counterparts¹	0	0	0	0
4. Contracts	4,200,000	1,800,000	1,500,000	900,000
5. Other direct costs	209,600	90,000	75,000	44,600
Total Project Costs	4,765,000	2,011,400	1,696,000	1,057,600
Indirect Support Costs	235,000	76,000	99,250	59,750
TOTAL	5,000,000	2,087,400	1,795,250	1,117,350

¹ All training components are included in the Contracts budget line because all training activities have been contracted to a 3rd Party.

Budget narrative

Direct costs

1. The major budget item will be for a contractor specializing in policy and diagnostic work, who will be deployed in Baghdad to support the I-Ages process. The cost components expected will be life support, security, transportation, remuneration of consultants and a management fee. The entire amount is expected to be committed as soon as the contracting company is selected.

Payments will be made for actual expenditure incurred by the contractor. Clearance of payment request will also include the requirement for supporting documentation to be provided by the company and confirmation of activities by FAO office. Any amount that has not been spent on activities will be made available for other project activities or returned to the funding source at the end of the project.

Contracts will involve high level analysis work and training for GoI counterparts, led by hiring of contracted consultants (both in doing the analysis work and training of GoI counterparts), and the remaining contract cost is allocated to hiring and training of MoA/MoP/COSIT for the different evidence based studies and survey work.

Training:

Training has been allocated to the contracts awarded to expert consultants (2 international staff, 2 national staff, and 1 short term consultant staff).

The total budget for contracts (USD 4,200,000) is calculated as follows:

Description	Unit	Unit cost US\$	Months	Total cost US\$
Contracts				
1) International Staff (training of GoI staff and analysis work phase 1 and 2)	1	\$21,000	36	\$756,000
2) International Staff (training of GoI staff and analysis work phase 1 and 2)	2	\$21,750	24	\$1,044,000
3) National Staff (PSSU) (training of GoI staff and analysis work phase 1 and 2)	2	\$7,500	36	\$540,000
4) National Staff (PSSU) (training of GoI staff and analysis work phase 1 and 2)	1	\$11,250	24	\$270,000
5) Short term Consultant (end of project conference management and reporting of the final results, evaluation, and lessons learned)	2	\$36,000	3	\$216,000
6) Survey and Studies Contract (MoA/COSIT) (5 Evidence based Studies)	Lump sum			\$1,374,000
Total				\$4,200,000

The 2 international staff and the 2 national staff will be responsible for conducting training and leading the counterpart GoI ministries and other stakeholders through the 5 evidence based studies in Phase 1 and the policy and strategy formulation in phase 2.

The short term consultant will be responsible for the final step of the project, for end of project conference management and reporting of the final results, evaluation, and lessons learned.

The focus of the program remains on training in high level agricultural study/survey analysis and as a result majority of the budget has been allocated to contracting of 3rd party experts in this area who have done same work in several areas of agriculture and with same line ministries that this program is targeting.

The total budget for personnel (USD 322,000) is calculated as follows:

Description	Unit	Unit cost US\$	Months	Total cost US\$
Personnel				
1) National Staff (project management and reporting)	1	\$7,500	36	\$270,000
2) Travel	Lump sum			\$52,000
Total				\$322,000

The national staff in the personnel budget line is responsible for project management, reporting, and coordination of all project activities in Iraq and Amman.

2. The project's budget also covers estimated costs of
 - o USD 100,000 (2% of total project budget) for security-related expenditure; and
 - o USD 10,000 (0.002% of total project budget) for communication (USD 300 per month), USD 9,000 for office supplies and stationery (USD 250 per month), USD 14,400 for vehicle rental (USD 400 per month), USD 114,000 for rental of project office space (USD 3,190 per month), as well as USD 4,000 for miscellaneous costs.

The total budget for Supplies, Commodities, Equipment, and Transport (USD 33,400) is calculated as follows:

Description	Unit cost US\$	Months	Total cost US\$
Supplies, commodities, equipment and transport			
1) Communication	\$300	36	\$10,000
2) Office Supplies and Stationary	\$250	36	\$9,000
3) Transport(Car Rental)	\$400	36	\$14,400
Total			\$33,400

Other Direct Costs are (USD 394,600) is calculated as follows:

Description	Unit cost US\$	Months	Total cost US\$
Other direct Costs			
1) Security			\$100,000
2) Other			\$175,760
3) Miscellaneous			\$118,840
Total			\$394,600

Indirect support costs

The indirect support cost for this project is \$350,000. The FAO AOS rate is 7.00% of actual disbursement and will cover any indirect costs incurred (in line with the agreement between the EC and the UNDG/ITF and as principally endorsed by the FAO Executive Director).

Description	Unit cost US\$	Months	Total cost US\$
Indirect Support Costs			
Total			\$350,000

Annex A: Agency Project Status Profile

Sl. #	Project ID #	Project Title	Total Budget (US\$)	Implementation Rate (% complete)	Commitments (% as of 18/03/2010)	Disbursements (% as of 18/03/2010)	Remarks
1	A5-15	Restoration and modernization of fish production in Iraq	\$ 7,312,177	58%	2%	92%	
2	A5-16	Rehabilitation and Development of the National Seed Industry in Iraq	\$ 5,383,460	84%	10%	77%	
3	A5-18	Rehabilitation and Maintenance of Traditional Irrigation Schemes in Resettled Areas	\$ 3,598,077	73%	0%	96%	
4	A5-19	Rehabilitation of Date Palm Sector in Iraq	\$4,886,663	90%	13%	72%	
5	A5-22	Support for job Creation and Self Employment Through Promotion of Micro-Industries in Anbar Governorate	\$2,117,832	30%	21%	55%	
6	A5-23	Towards Sustainable Development of Inland Fisheries in Iraq	\$ 3,000,007	70%	7%	23%	
7	A5-24	Modernization and Development of the Dairy Cattle Sector in Iraq	\$ 4,424,670	35%	3%	15%	Funds received only during late 2009
8	A5-25	Rehabilitation and Development of the National Vegetable Seed Industry in Iraq	\$ 2,828,263	82%	3%	22%	
9	A5-26	Improvement of Water Supply and Irrigation Provisions through the Rehabilitation of Abu Sabkha Pumping Station	\$ 4,004,979	90%	0%	5%	
10	A5-27	Strengthening the capacity of the Iraqi Veterinary Services for control of zoonotic and transboundary animal diseases	\$ 3,001,715	30%	6%	6%	Funds received only during late 2009
		TOTALS (US\$)	\$40,557,843		7%	45%	